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INFO RUEHKO/AMEMBASSY TOKYO PRIORITY 3024  
RUEHBY/AMEMBASSY CANBERRA PRIORITY 3603  
RUEHGP/AMEMBASSY SINGAPORE PRIORITY 6462

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SENSITIVE  
SIPDIS

DEPARTMENT FOR E, EAP, EEB  
NSC FOR J. BADER AND E. PHU  
TREASURY FOR M.NUGENT AND T.RAND  
SINGAPORE FOR S. BAKER

E.O. 12958: N/A  
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SUBJECT: SUPPORTING INDONESIA'S WORLD BANK CONTINGENT FINANCING  
PACKAGE

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11. (U) Please see action request in paragraph 6.

12. (SBU) The United States should support the proposed \$2 billion Public Expenditure Support Facility Development Policy Loan (DPL-DDO) for Indonesia. The World Bank Executive Board will consider this loan on March 3. The proposal has been closely coordinated with the International Monetary Fund. Foreign Minister Wirayuda personally asked Secretary Clinton to support Indonesia's efforts to secure contingency fiscal support.

13. (SBU) Indonesia's sound macroeconomic policies have helped it weather the global economic downturn and financial market volatility to date. But the downturn is having a growing negative impact on the economy. The World Bank package will signal to the market that Indonesia can finance its budget deficit at an affordable rate. U.S. support will be seen as a vote of confidence for Indonesia's management of the financial crisis.

14. (SBU) Indonesia is pursuing prudent fiscal policies, ramping up expansionary government spending while simultaneously reducing its debt as a share of gross domestic product. The proposed contingency financing reflects Indonesia's deepening cooperation with the World Bank, which is providing important policy support in the areas of public financial management and investment climate reform. It is also part of a comprehensive approach, leveraging \$3.5 billion in resources from other key donors (Asian Development Bank, Japan and Australia) to provide contingent financing in the event Indonesia is unable to access capital markets (its preferred source of financing).

15. (SBU) U.S. support for this loan is a realistic way to help a key emerging economy and G-20 partner manage the fallout from the global economic crisis. It will also provide crucial support for the key reformers striving to build sustainable economic growth, reduce poverty and combat corruption.

16. (SBU) ACTION REQUEST: Embassy recommends that Secretary Geithner call Acting Coordinating Minister for Economic Affairs and Finance Minister Sri Mulyani Indrawati prior to the Board vote to inform her of the U.S. position. Sri Mulyani has an impressive reputation as a reformer and is a potential ally in the G-20 process.

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